



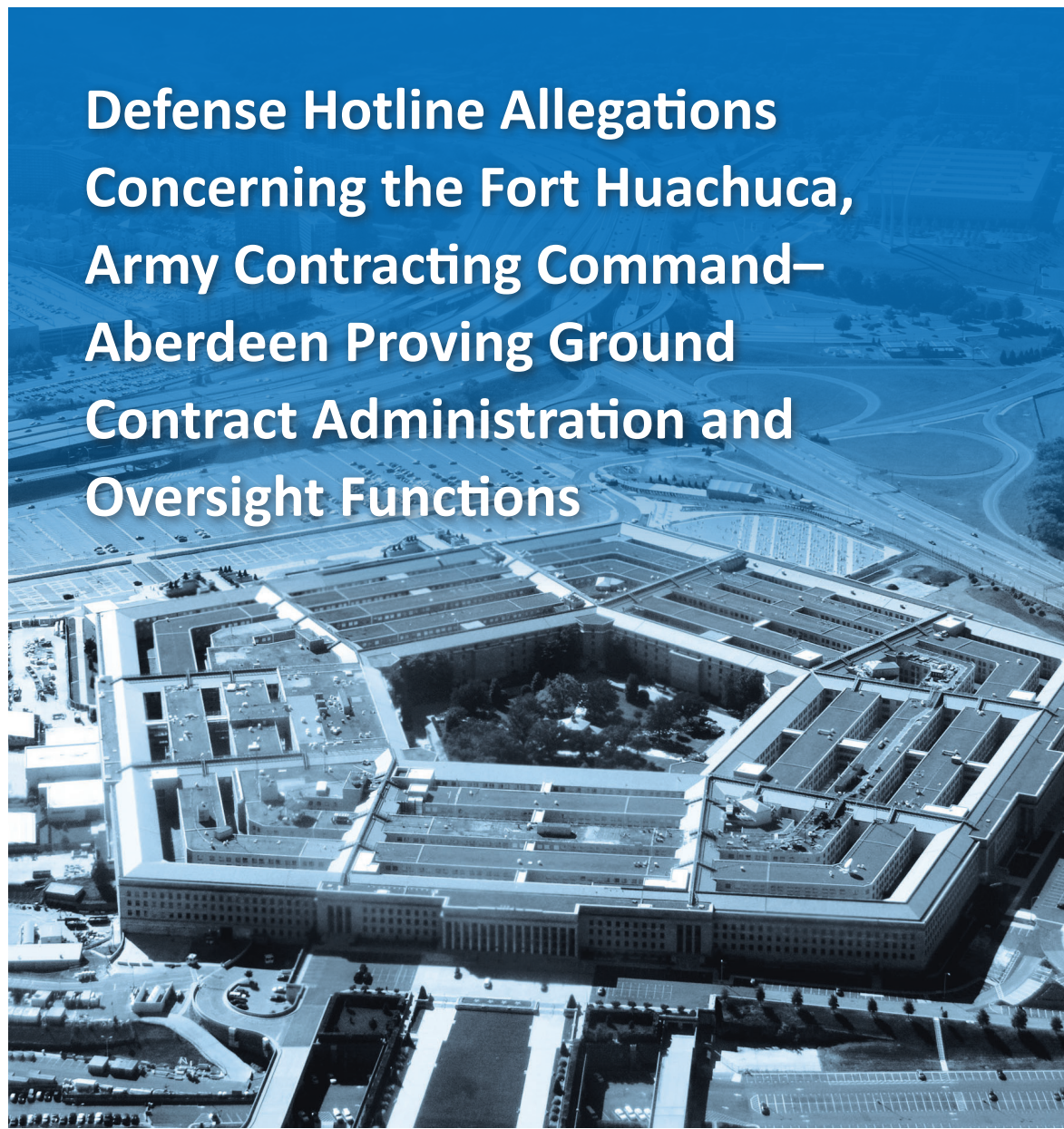
# INSPECTOR GENERAL

*U.S. Department of Defense*

APRIL 14, 2014



## Defense Hotline Allegations Concerning the Fort Huachuca, Army Contracting Command— Aberdeen Proving Ground Contract Administration and Oversight Functions



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# Results in Brief

## *Defense Hotline Allegations Concerning Fort Huachuca, Army Contracting Command–Aberdeen Proving Ground Contract Administration and Oversight Functions*

April 14, 2014

### Objective

Our objective was to review the adequacy of cost-control procedures and contract administration for cost-plus-award-fee contract W91RUS-10-C-0001 used at Fort Huachuca, Army Contracting Command–Aberdeen Proving Ground. In addition, the audit addresses three allegations concerning administration of the contract raised to the Defense Hotline.

### Findings

Fort Huachuca, Army Contracting Command–Aberdeen Proving Ground officials could improve the administration and oversight of cost-plus-award-fee contract W91RUS-10-C-0001, with a total estimated value of \$286,541,416. Specifically, Fort Huachuca, contracting officials did not:

- include adequate documentation to support incremental funding modifications within the contract file;
- properly authorize contract oversight or update the quality assurance surveillance plan; or
- evaluate contractor performance with standards that were compliant with the Army Federal Acquisition Regulation Supplement.

### Findings Continued

This occurred because contracting officials used one contract modification to fund multiple work assignment orders (WAOs) and did not identify which WAOs were funded in the modification; misinterpreted the Army Contracting Command Pamphlet 70-1 and did not designate or train work assignment order authors and test officers as alternate contracting officer's representatives, as required. In addition, contracting officials were unaware of the Army Federal Acquisition Regulation Supplement requirements regarding contractor performance criteria and used conflicting wording in the award-fee plan.

As a result, Fort Huachuca contracting officials may have overpaid for contract cost increases. Furthermore, we determined that one of the three Defense Hotline allegations was partially substantiated. This allegation was addressed during the audit. The other two allegations were unsubstantiated.

We issued a quick reaction memorandum on January 16, 2014, based on concerns regarding the contract administration for contract W91RUS-10-C-0001. Fort Huachuca officials responded to the memorandum on February 5, 2014, with acceptable corrective actions for the follow-on contract to provide an audit trail from contract modifications to WAOs; properly authorize and train test officers; update the quality assurance surveillance plan; and revise the award-fee plan. Therefore, we are not making any recommendations.

### Management Comments

We do not require a written response to this report. We provided a discussion draft to Fort Huachuca, Army Contracting Command–Aberdeen Proving Ground officials.

## ***Recommendations Table***

Management	Recommendations Requiring Comment
Auditor General, Department of the Army	None



**INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
4800 MARK CENTER DRIVE  
ALEXANDRIA, VIRGINIA 22350-1500**

April 14, 2014

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION,  
TECHNOLOGY, AND LOGISTICS  
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Defense Hotline Allegations Concerning the Fort Huachuca, Army  
Contracting Command–Aberdeen Proving Ground Contract Administration  
and Oversight Functions (Report No. DODIG-2014-061)

We are providing this report for your information and use. The DoD Office of the Inspector General initiated this audit because of allegations made to the Defense Hotline regarding the administration and oversight of contract W91RUS-10-C-0001.

Fort Huachuca, Army Contracting Command–Aberdeen Proving Ground officials could improve the administration and oversight of contract W91RUS-10-C-0001. Specifically, Fort Huachuca, Army Contracting Command–Aberdeen Proving Ground officials did not include adequate documentation to support incremental funding contract modifications within the contract file; did not properly authorize contract oversight or update the quality assurance surveillance plan; and did not evaluate contractor performance with standards that were compliant with the Army Federal Acquisition Regulation Supplement. We issued a quick reaction memorandum that addressed these concerns for the follow-on contract. Fort Huachuca, Army Contracting Command–Aberdeen Proving Ground officials described corrective actions taken in response to the memorandum and we agree with the corrective actions taken.

One of the three allegations was partially substantiated and addressed during the course of the audit. The other two allegations were unsubstantiated. We are publishing this report in final form because no written response to this report is required.

We appreciate the courtesies extended to the staff. Please direct questions to Deborah Culp at (703) 604-9335 (DSN 664-9335).

A handwritten signature in black ink, reading "Amy J. Frontz".

Amy J. Frontz  
Principal Assistant Inspector General  
for Auditing

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## Acronyms and Abbreviations

# Introduction

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## Objective

Our objective was to review the adequacy of cost-control procedures and contract administration for cost-plus-award-fee contract W91RUS-10-C-0001, including all contract modifications, used at Fort Huachuca, Army Contracting Command–Aberdeen Proving Ground.<sup>1</sup> In addition, the audit addresses three allegations raised to the Defense Hotline. See Appendix A for the scope and methodology and prior audit coverage related to the objective.

## Background

Information Technology, E-Commerce and Commercial Center West<sup>2</sup> contracting officials awarded contract W91RUS-10-C-0001 on November 9, 2009, with a total estimated value of \$286,541,416, for scientific and engineering support; research and development efforts; operation and maintenance of equipment, systems, and facilities; and administrative services in support of Electronic Proving Ground's mission. The contract includes a base year and 4 option years ending November 15, 2014. The contractor is performing under option year 4 of the contract and as of March 12, 2014, Fort Huachuca contracting officials have funded about \$262,920,170 to the contract. Contracting officials awarded the contract as a cost-plus-award-fee contract with an award fee established in the award-fee plan which identifies the evaluation criteria. The goal of award fee contracting is to motivate the contractor's performance in areas that are susceptible to measurement and evaluation.

## ***Work Assignment Orders***

Fort Huachuca contracting officials stated in the contract that the contractor must perform functions as tasked by the Government in a work assignment order (WAO), which will contain the anticipated period of performance, the scope of work, and any applicable specifications, designs and drawings, data requirements, and government furnished property. According to the contract, the contractor must not perform any work under the WAO until the contracting officer approves the WAO at which time the WAO is officially assigned to the contractor. Contracting officials issued a total of 1,246 WAOs as of March 13, 2014.

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<sup>1</sup> We refer to Fort Huachuca, Army Contracting Command–Aberdeen Proving Ground as Fort Huachuca contracting officials throughout the remainder of the report.

<sup>2</sup> The contract is now maintained by Fort Huachuca, Army Contracting Command–Aberdeen Proving Ground.



Fort Huachuca contracting officials defined WAO authors as quality assurance evaluators with responsibility for oversight of specific technical work on the contract in the quality assurance surveillance plan (QASP) for contract W91RUS-10-C-0001, dated April 30, 2008. Federal Acquisition Regulation (FAR) Subpart 46.4, "Government Contract Quality Assurance," states that a QASP should specify all work requiring surveillance and the method of surveillance. Contracting officials explained that the WAO authors prepare the WAOs, documenting the description of work to be performed by the contractor, deliverables and basic technical execution plan, contractor evaluations, and spend plans. In addition, WAO authors provide direct oversight of the contractor's performance on the work established in the WAO, using criteria such as management effectiveness, technical performance, quality of work, timeliness, and cost control. The WAO authors fill out monthly reports identifying the strengths and weaknesses of the contractor's performance and provided the reports to the contracting officer's representative (COR) for the 6-month, award-fee determination.

## Review of Internal Controls

DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013, requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified internal control weaknesses related to tracing the individual WAOs to the contract funding modifications, an outdated quality assurance surveillance plan, and unauthorized personnel performing contract oversight. We will not make recommendations in relation to the internal control weaknesses because of corrective actions planned for the follow-on contract.

We will provide a copy of the report to the senior official responsible for internal controls at Fort Huachuca, Army Contracting Command (ACC)-Aberdeen Proving Ground.

## Finding A

### Improved Contract Administration and Oversight Needed

Fort Huachuca contracting officials could improve the administration and oversight of cost-plus-award-fee contract W91RUS-10-C-0001, with a total estimated value of \$286,541,416. Specifically, contracting officials did not:

- include adequate documentation to support incremental funding contract modifications within the contract file;
- properly authorize contract oversight or update the QASP; or
- evaluate contractor performance with standards that were compliant with the Army Federal Acquisition Regulation Supplement (AFARS).

This occurred because contracting officials used one contract modification to fund multiple WAOs and did not identify which WAOs were funded in the modification. In addition, contracting officials misinterpreted ACC Pamphlet 70-1, "Interim Army Contracting Command-Contracting Officer's Representative Policy Guide," March 26, 2010, which was issued after contract award, and did not include appointment letters designating WAO authors and test officers as CORs or alternate CORs permitted to conduct oversight. Contracting officials did not provide COR training to the WAO authors and test officers authorizing them to conduct oversight. Furthermore, contracting officials were unaware of the AFARS requirements regarding contractor performance criteria and used conflicting wording in the award-fee plan.

As a result, Fort Huachuca contracting officials may have overpaid for contract cost increases.

### Contract Modifications Not Supported

Fort Huachuca contracting officials did not include adequate documentation to support incremental funding contract modifications within the contract file. Contracting officials issued 73 modifications on contract W91RUS-10-C-0001 as of March 12, 2014. However, contracting officials could not trace funds from the contract modifications to specific WAOs.

### ***Inadequate Audit Trail***

Fort Huachuca contracting officials lacked documentation to trace in SharePoint the work that was performed on each individual WAO to the 73 contract modifications in the Army Paperless Contract File. According to FAR Subpart 4.8, "Government Contract Files," "the head of each office performing contracting, contract administration, or paying functions shall establish a contract file containing the records of all contractual actions. The documentation in the files shall be sufficient to constitute a complete history of the transaction." Contracting officials stored the WAOs in a SharePoint web-based application, which documented the work to be performed on the contract. In addition, contracting officials used OpenBook, a financial data storage system, to track the funding of each WAO. However, contracting officials could not provide an adequate audit trail that linked the individual WAOs from the SharePoint application to the contract modifications.

According to Fort Huachuca contracting officials, the contract was incrementally funded with overhead funds equal to or greater than the total allocation of funds in OpenBook for all active WAOs. Contracting officials transferred overhead funds with the customer-reimbursable funds received. Contracting officials used the recouped overhead funding to incrementally fund future requirements. By obligating funds using one contract line item number (CLIN) for multiple WAOs, contracting officials could not trace funds from the contract modifications to specific WAOs.

### ***Follow-On Contract***

Fort Huachuca contracting officials are in the process of awarding a follow-on hybrid contract. Contracting officials anticipate awarding the hybrid contract as firm-fixed-price for the overhead portion of the contract and cost-plus-award-fee for the testing portion of the contract. According to contracting officials, services that are firm-fixed priced will have a separate CLIN. Contracting officials plan to list the WAOs as firm-fixed-price in the description section of the CLIN. Because cost-reimbursement CLINs are not tied directly to a single or a set number of WAOs, the contracting officials plan to document the WAOs issued in Section J of the contract by number and title, either at time of contract award or when incremental funding modifications are executed. Contracting officials' proposed changes to the follow-on contract should result in an adequate audit trail, tracing the contract modifications to the WAOs. Therefore, we are not making a recommendation.

## Unauthorized Contract Oversight

Fort Huachuca contracting officials did not properly authorize oversight, and did not update the QASP. Specifically, contracting officials misinterpreted ACC Pamphlet 70-1 and did not designate WAO authors and test officers as individuals permitted to conduct oversight. In addition, contracting officials did not provide COR training to the WAO authors and test officers authorizing them to conduct oversight, as required. Contracting officials designated the contract oversight through a single COR designation letter in the contract file. However, the WAO authors and test officers performed the contract oversight.

### ***Interpretation of ACC Pamphlet 70-1***

Fort Huachuca contracting officials misinterpreted ACC Pamphlet 70-1, resulting in unauthorized contract oversight. According to ACC Headquarters contracting officials, the Pamphlet prohibits the use of the term “contracting officer’s technical representative” when referring to individuals conducting oversight, instead using the term COR or alternate COR. Fort Huachuca contracting officials interpreted the Pamphlet as prohibiting the assignment of contracting officer’s technical representatives as opposed to prohibiting just the use of the term. Because of Fort Huachuca contracting officials interpretation of the Pamphlet that authorization of additional oversight beyond a COR was no longer allowed, they did not provide training to the test officers and WAO authors as CORs or alternate CORs. In addition, FAR Subpart 1.6 “Career Development, Contracting Authority, and Responsibilities” explains that a COR must be designated in writing specifying the extent of the COR’s authority and that the authority is not re-delegable. Contracting officials did not document COR or alternate COR appointment letters in the contract file. As a result, WAO authors and test officers were not officially authorized to conduct contract oversight.

In addition, Fort Huachuca contracting officials did not provide training certifications to show that the WAO authors and test officers were properly trained to conduct oversight. According to FAR subpart 1.6, a COR must be qualified by a combination of training, experience, and education. ACC Pamphlet 70-1 states CORs must complete specific training requirements before the contracting officer can issue a letter of appointment. However, contracting officials explained that WAO authors and test officers were considered contracting officer’s technical representatives, thus, exempt from the training requirements required in ACC Pamphlet 70-1. The WAO authors and test officers provided direct oversight of

the contractor and sent the information to the single-assigned COR. According to contracting officials, the COR is still designated and responsible for direct contract oversight.

Fort Huachuca contracting officials stated that they will appoint test officers as technical monitors to provide contract oversight and document their training and certifications in the contract file for the follow-on contract. Army Regulation 70-13, "Management and Oversight of Service Acquisitions," 30 July 2010, states that the contracting officer may appoint other surveillance support personnel to assist the COR in monitoring a contractor's performance. These individuals may be called government technical monitors. According to ACC-APG COR Handbook, August 2011, technical monitors are required to complete COR training requirements before appointment. Fort Huachuca contracting officials confirmed they will appoint technical monitors in accordance with AR 70-13 and require completion of specific COR training requirements before appointment, therefore, we are not making a recommendation.

### ***QASP Not Updated to Reflect Oversight Responsibilities***

Fort Huachuca contracting officials did not update the QASP for contract W91RUS-10-C-0001 to reflect the changes outlined in ACC Pamphlet 70-1. According to contracting officials, the QASP documents the Government's plan to monitor the contractor's work to ensure the contractor performs within acceptable quality levels, and the Government receives the quality of services and products required in the contract. While WAO authors and test officers were identified as quality assurance evaluators in the QASP, they assumed the responsibilities of a COR without proper training, providing direct oversight of the contractor. According to contracting officials, the QASP has not been updated since 2008. Fort Huachuca contracting officials updated the QASP for the future follow-on contract; therefore, we are not making a recommendation in relation to the QASP.

### **Performance Standards Noncompliant With AFARS**

Fort Huachuca contracting officials increased the performance standards to evaluate contractor performance, conflicting with the contract's award-fee plan and AFARS 5116.405-2, "Cost-plus-award-fee contracts," definition of a "satisfactory" rating. Specifically, contracting officials used an award-fee-earned chart that did not adequately reflect the scoring definitions included in the award-fee plan, and allowed the contractor to earn award fees for performance defined as meeting basic contract requirements.



Fort Huachuca contracting officials used an award-fee-earned chart that did not adequately reflect the scoring definitions in the award-fee plan. According to AFARS 5116.405-2, contractors should not receive award fees (above the base fee) for simply meeting contract requirements. Contracting officials properly defined “satisfactory” in the award-fee plan as “the contractor has met the basic (minimum essential) requirements of the contract,” and stated that no award fee would be provided for satisfactory performance. However, to improve contractor performance contracting officials developed an award-fee-earned-chart that raised the numerical scoring for the rating definitions included in the award-fee plan. In particular, contracting officials raised the numerical scoring for “satisfactory” performance and they considered the contractor eligible for award fee if scoring fell within this elevated range. However, contracting officials did not update the corresponding standards in the award-fee plan. As a result, contracting officials paid award fee for performance described in the award fee earned chart as “satisfactory,” which remained defined in the award-fee plan as the contractor met the basic requirements of the contract. This was inconsistent with AFARS 5116.405-2. Table 1 shows the increased standards and scoring ranges to evaluate contractor performance.

*Table 1. Award-Fee Plan Versus Award-Fee-Earned Chart*

Award-Fee Plan		Award-Fee-Earned Chart	
Excellent	91-100	Outstanding	96-100
Very Good	76-90	Excellent	91-95
Good*	51-75	Good	81-90
Satisfactory	1-50	Satisfactory*	66-80
Unsatisfactory	0	Unsatisfactory	0-65

\* Rating level at which contractor became eligible for award fee.

Contracting officials stated that they were unaware of the AFARS guidance on satisfactory ratings. While contracting officials were not compliant with AFARS in developing the award fee earned chart, they properly justified and documented all award fees paid to the contractor.<sup>3</sup> Fort Huachuca contracting officials revised the satisfactory ratings in the award fee earned chart and corresponding standards in the award-fee plan to comply with the AFARS for the follow-on contract. Furthermore, contracting officials included a reference to AFARS 5116.405-2(b)(B) in the Request for Proposal, stating that no award fee would be made

<sup>3</sup> We did not question the award fees paid because they were earned based on numerical scores that exceeded the satisfactory level established in the award fee plan.

for satisfactory performance for the follow-on contract. Therefore, we are not making a recommendation in relation to the award-fee plan.

## Corrective Actions

We issued a quick reaction memorandum on January 16, 2014, based on concerns regarding the contract administration of cost-plus-award-fee contract W91RUS-10-C-0001 to effect change for the future follow-on contract. Specifically, Fort Huachuca contracting officials:

- did not include adequate documentation to support incremental funding contract modifications within the contract files;
- did not properly authorize contract oversight; and
- paid three award fees for satisfactory ratings based upon performance definitions that conflict with AFARS 5116.405-2.

Fort Huachuca contracting officials responded to the quick reaction memorandum on February 5, 2014. They described corrective actions taken in response to the memorandum which are discussed in the above Finding on pages 4, 5, and 6. We agree with the corrective actions taken by Fort Huachuca contracting officials. Therefore, we will not make any recommendations in this report. See Appendix B for the quick reaction memorandum and Army responses.

## Summary

Fort Huachuca contracting officials did not provide adequate contracting administration and oversight for cost-plus-award-fee contract W91RUS-10-C-0001. Contracting officials provided insufficient documentation to trace funds from modifications to specific WAOs. In addition, contracting officials misinterpreted ACC Pamphlet 70-1 and did not include appointment letters designating WAO authors and test officers as CORs or alternate CORs permitted to conduct oversight. Furthermore, contracting officials did not provide training authorizing the WAO authors and test officers to conduct oversight. Contracting officials were unaware of the AFARS requirements regarding satisfactory ratings and used conflicting wording in the award-fee plan. As a result, Fort Huachuca contracting officials may have overpaid for contract cost increases. However, contracting officials took corrective actions to address contract administration and oversight for the future follow-on contract.

## Finding B

### Defense Hotline Contract Administration Allegations and Responses

We received a Defense Hotline request to review cost-plus-award-fee contract W91RUS-10-C-0001. The Defense Hotline allegations included the following.

- The contractor exceeded the contract ceiling and contracting officials did not include supporting documentation in the contract file demonstrating that ceiling increases were properly executed.
- Fort Huachuca contracting officials issued modifications outside the scope of the contract.
- Fort Huachuca contracting officials administered the contract as an indefinite-delivery, indefinite-quantity contract instead of a cost-plus-award-fee contract.

We determined that one of the three allegations was partially substantiated. Fort Huachuca contracting officials took corrective action during this audit; therefore, we will not make recommendations in relation to the Defense Hotline allegations. The other two allegations were unsubstantiated.

The allegations are discussed below.

### Allegation 1. Contract Ceiling Exceeded Without Supporting Documentation

Fort Huachuca contracting officials exceeded the contract ceiling and did not include supporting documentation in the contract file demonstrating that ceiling increases were properly executed.

### DoD IG Response

The allegation was partially substantiated. Fort Huachuca contracting officials exceeded the estimated value of the contract for the base year and 2 option years and did not include documentation linking the funding increases to the WAOs. However, the contract did not contain a not-to-exceed limit or ceiling as stated in the allegation and did not exceed the total estimated contract value as of March 12, 2014.

Fort Huachuca contracting officials exceeded the estimated value of the contract for the base year and 2 option years. Contracting officials did not exceed the estimated value in the third option year and stated that the contract would not exceed the total estimated contract value at the end of option year 4. Contracting officials did not include documentation linking the funding increases to the WAOs as discussed in Finding A on page 3. Table 2 shows the estimated contract values and the funded amounts.

Table 2. Funded Amounts and Estimated Contract Values

	Estimated Contract Value <sup>1</sup>	Funded Amount
Base Year	\$53,678,031	\$53,898,562
Option Year 1	57,828,529	72,356,795
Option Year 2	58,070,919	61,974,262
Option Year 3	58,325,154	49,453,551
Option Year 4	58,638,783	25,237,000 <sup>2</sup>
Total	\$286,541,416	\$262,920,170

1 Estimated contract values from base contract.  
2 Funded amount as of March 12, 2014.

## Allegation 2. Contract Modifications Issued Outside Contract Scope

Fort Huachuca contracting officials issued modifications outside the scope of the contract.

### DoD IG Response

The allegation was unsubstantiated. Fort Huachuca contracting officials did not issue modifications outside the scope of the contract because they issued the majority of contract modifications to add or remove incremental funding. In addition, all WAOs reviewed were within the scope of the contract. For example, one WAO reviewed required support aspects associated with the successful test design, plan, execution, and reporting for environmental testing on the Javelin Launch Trainer. The WAO was within the scope of the contract, which included scientific and engineering services support. However, contracting officials could not show a direct relationship between the funding modifications and the individual WAOs leading to an inadequate audit trail as discussed in Finding A on page 3.

### **Allegation 3. Contract Administered as a Different Type Than Awarded**

Fort Huachuca contracting officials administered the contract as an indefinite-delivery indefinite-quantity contract instead of a cost-plus-award-fee contract.

#### **DoD IG Response**

The allegation was unsubstantiated. Fort Huachuca contracting officials issued and administered the contract as a cost-plus-award-fee contract. Contracting officials established an award-fee plan providing an incentive for the contractor and completed steps to review and pay the contractor appropriate award fees as required for a cost-plus-award-fee contract. We did not find any evidence that contracting officials administered the contract as an indefinite-delivery, indefinite-quantity contract.

Fort Huachuca contracting officials adequately documented the approval of each award fee. We addressed a conflict with the award-fee scoring ranges and the AFARS in Finding A on page 6. Contracting officials followed an award-fee plan, which outlined the organization of the award-fee board and process for making an award-fee determination. Contracting officials stated that the COR receives comments from the WAO authors and prepares a monthly COR report for submission to the award-fee review board. The award chair meets with the directors and the contracting officer to discuss the contractor's performance over the previous 6 months. Directors give a score in the areas of evaluation with an explanation of their rationale. The scores are averaged in each section and formalized in the award-fee determination. The award-fee determining official is responsible for reviewing and approving the award-fee score and signing the determination letter for the evaluation period.



## Appendix A

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### Scope and Methodology

We conducted this performance audit from June 2013 through April 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

### Review of Documentation and Interviews

To evaluate whether Fort Huachuca contracting officials complied with appropriate Federal and DoD criteria for contract administration and oversight, we reviewed Federal Acquisition Regulation Subpart 1.6, “Career Development, Contracting Authority, and Responsibilities”; Federal Acquisition Regulation Subpart 4.8, “Government Contract Files”; Federal Acquisition Regulation Part 43, “Contract Modifications”; Federal Acquisition Regulation Part 46, “Quality Assurance”; Army Federal Acquisition Regulation Supplement 5116.405-2, “Cost-plus-award-fee contracts”; and Army Contracting Command Pamphlet 70-1, “Interim Army Contracting Command–Contracting Officer’s Representative Policy Guide.”

We reviewed allegations raised to the Defense Hotline concerning contract W91RUS-10-C-0001 and reviewed the adequacy of cost-control procedures and contract administration for cost-plus-award-fee contract W91RUS-10-C-0001. As of March 12, 2014, the contract was funded in the amount of \$262,920,170. We reviewed contract documentation and conducted interviews with contract officials during our site visits to Fort Huachuca, Army Contracting Command–Aberdeen Proving Ground. To assess the allegations, we interviewed the contracting officers, contracting officer’s representative, award-fee board members, budget analysts, and work assignment order authors. To validate the accuracy of the allegations, we obtained and reviewed contract documentation from contracting officials at Fort Huachuca, Army Contracting Command–Aberdeen Proving Ground, including the base contract and 73 modifications issued as of March 12, 2014. In addition, we received a demonstration of two databases; a WAO SharePoint web-based application containing 1,246 WAOs as of March 13, 2014, and a financial data storage system called OpenBook. The documentation obtained included a sample

of work assignment orders, contract modifications for contract W91RUS-10-C-0001, award-fee determinations, monthly contracting officer's representative reports, SharePoint application user guides, award-fee plans, quality assurance surveillance plans, and follow-on contract documentation.

## **Use of Computer-Processed Data**

We did not rely on computer-processed data to reach our conclusions.

## **Use of Technical Assistance**

We did not use technical assistance in conducting this audit.

## **Prior Coverage**

No prior coverage has been conducted on the subject during the last 5 years.

## Appendix B

### Quick Reaction Memorandum and Management Comments



**INSPECTOR GENERAL**  
DEPARTMENT OF DEFENSE  
4800 MARK CENTER DRIVE  
ALEXANDRIA, VIRGINIA 22350-1500

January 16, 2014

MEMORANDUM FOR DIRECTOR OF CONTRACTING, FORT HUACHUCA, ARMY  
CONTRACTING COMMAND–ABERDEEN PROVING  
GROUND

SUBJECT: Concerns Regarding Contract Administration of Cost-Plus-Award-Fee Contract  
W91RUS-10-C-0001 at Fort Huachuca, Army Contracting Command–Aberdeen  
Proving Ground

We are providing this memorandum for your attention and suggested action before completing Project No. D2013-D000CG-0187.000, “Audit of Hotline Allegations Concerning the Fort Huachuca, Army Contracting Command–Aberdeen Proving Ground Contract Administration and Oversight Functions.” This audit is being conducted in response to allegations made to the Defense Hotline. The work conducted on this audit is preliminary and there is additional work ongoing to satisfy the audit objective. Our overall audit objective was to determine the adequacy of cost-control procedures and contract administration for cost-plus-award fee contract W91RUS-10-C-0001, including all contract modifications, used at Army Contracting Command–Aberdeen Proving Ground, Fort Huachuca.

We are concerned about deficiencies related to the contract administration of contract W91RUS-10-C-0001, a nonpersonal services contract providing scientific and engineering support, research, and development efforts; operation and maintenance of equipment, systems, and facilities; and administrative services in support of the U.S. Army Electronic Proving Ground’s mission. Specifically, during the subject audit we identified that Fort Huachuca contracting officials:

- did not include adequate documentation to support contract modifications within the contract files;
- did not properly authorize contract oversight; and
- paid out three award fees to the contractor for satisfactory ratings based upon performance definitions that conflict with the Army Federal Acquisition Regulation Supplement (AFARS).

We understand that Fort Huachuca contracting officials are in the process of awarding a follow-on contract to continue providing nonpersonal services. They should consider correcting the following problems before awarding the new contract.

#### **Documentation Does Not Support Contract Modifications**

While Fort Huachuca contracting officials issued 70 modifications to contract W91RUS-10-C-0001 as of December 20, 2013, they did not include documentation in the contract file to support these modifications. According to information in the Defense Hotline allegations,

## Quick Reaction Memorandum and Management Comments (cont'd)

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contracting officials were negligent in providing documentation to support the additional contract costs or to demonstrate that the increased costs were for work within the scope of the contract. We determined Fort Huachuca contracting officials issued the majority of modifications to obligate funding on the contract and assigned work to be completed on the contract through work assignment orders (WAOs). However, contracting officials did not document the WAOs in the contract file. Contracting officials stored the WAOs in a separate SharePoint web application maintained by the U.S. Army Electronic Proving Ground. Fort Huachuca contracting officials also did not document the actual work performed on the contract in the contract modification or tie the WAOs back to the contract documentation. In addition, they did not include supporting documentation for the funding modifications. Contracting officials stored and reviewed financial information in OpenBook, which is another web application. Fort Huachuca contracting officials provided no information supporting the work performed on the contract or funding increases within the contract file, resulting in an inadequate audit trail. For the future follow-on contract, Fort Huachuca contracting officials should formalize a process within the contract to track contract modifications back to specific WAOs.

### Unauthorized Contract Oversight

Fort Huachuca contracting officials did not properly authorize oversight of the contract because they did not officially designate the individuals conducting oversight or document their training certifications, and they did not update the quality assurance surveillance plan (QASP). Fort Huachuca contracting officials stated in the contracting officer's representative (COR) appointment letter that the COR is responsible for monitoring the contractor's performance and notifying the contractor of deficiencies observed during surveillance and direct action to effect correction. In addition, Federal Acquisition Regulation (FAR) Subpart 1.602-2(d)(6) explains that a COR will be designated in writing specifying the extent of the COR's authority and states that the authority is not redelegable. For contract W91RUS-10-C-0001, the WAO authors and test officers are the individuals actually performing contract oversight.

However, Fort Huachuca contracting officials did not document any COR or alternate COR appointment letters in the contract file, designating the WAO authors and test officers as the individuals responsible for conducting oversight, and did not provide any training certifications showing they were properly trained to conduct oversight. According to contracting personnel, the WAO authors and test officers conduct the oversight and send a monthly report to the COR, who then summarizes the information in a monthly COR report used to help determine the 6-month award fee. Army Regulation 70-13, Management and Oversight of Service Acquisitions, states that requiring activities shall provide other surveillance support personnel, as necessary, to support CORs in monitoring and documenting the contractor's performance. These other surveillance support personnel may serve as on-site representatives of the COR in performance of actual contract surveillance if they meet all COR requirements and have been appointed by the contracting officer as alternate CORs.

In addition, Fort Huachuca contracting officials have not updated the QASP for contract W91RUS-10-C-0001 since 2008. Fort Huachuca contracting officials outline the WAO authors and test officers as quality assurance evaluators in the QASP, but they are acting as CORs or alternate CORs. Fort Huachuca contracting officials should ensure all personnel providing contract oversight are properly appointed and trained for the follow-on contract.

## Quick Reaction Memorandum and Management Comments (cont'd)

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### Award Fees Paid Based on Conflicting Definitions

Fort Huachuca contracting officials paid three award fees, totaling about \$2.3 million, for satisfactory performance based on award fee plans that are not compliant with the AFARS. According to AFARS Part 5116.405-2 (b)(2)(B), contractors should not receive award fees (above the base fee) for simply meeting contract requirements. Fort Huachuca contracting officials defined a satisfactory rating in the award fee plans as the "Contractor has met the basic (minimum essential) requirements of the contract." According to Fort Huachuca contracting officials, they were unaware of the AFARS requirement. As a result, Fort Huachuca contracting officials paid out about \$2.3 million in award fees for contractor performance that met the basic requirements of the contract. Fort Huachuca contracting officials should update the language in the follow-on contract to comply with AFARS.

### Suggested Actions

We suggest the Director of Contracting, Fort Huachuca, Army Contracting Command–Aberdeen Proving Ground, require contracting officials for the future follow-on contract to:

- formalize a process within the contract to track contract modifications back to specific WAOs;
- designate the test officers and work assignment order authors as contracting officer's representatives or alternate contracting officer's representatives providing contract oversight, and document their training and certifications within the contract file; and
- update the award fee plan to reflect language that complies with the Army Federal Acquisition Regulation Supplement guidance on award fees.

We are performing this audit in accordance with generally accepted government auditing standards and are providing you these interim results so you may start taking appropriate corrective actions for the follow-on contract. We will provide additional details in a forthcoming audit report, which will include this memorandum, management comments, and any corrective actions taken. Therefore, we request that you apprise us of all corrective actions you take or have taken to address the suggested actions by January 30, 2014. [REDACTED]



Deborah L. Culp  
Program Director  
Contract Management and Payments



## Quick Reaction Memorandum and Management Comments (cont'd)



REPLY TO  
ATTENTION OF:

DEPARTMENT OF THE ARMY  
U.S. ARMY CONTRACTING COMMAND  
3334A WELLS ROAD  
REDSTONE ARSENAL, AL 35898-5000

AMSCC-IR

05 FEB 2014

MEMORANDUM FOR [REDACTED]

SUBJECT: Inspector General, Department of Defense Quick Reaction Memorandum, "Concerns Regarding Contract Administration of Cost-Plus-Award-Fee Contract W91RUS-10-C-0001 at Fort Huachuca, Army Contracting Command –Aberdeen Proving Ground" (D1354) (1422)

1. Memorandum, Inspector General, Department of Defense, 16 January 2014, subject: Concerns Regarding Contract Administration of Cost-Plus-Award-Fee Contract W91RUS-10-C-0001 at Fort Huachuca, Army Contracting Command –Aberdeen Proving Ground.
2. The Army Contracting Command (ACC) concurs with the ACC-Aberdeen Proving Ground response to the suggested actions.
3. The ACC point of contact is [REDACTED]

Encl

  
MICHAEL R. HUTCHISON  
Deputy to the Commanding General

## Quick Reaction Memorandum and Management Comments (cont'd)



REPLY TO  
ATTENTION OF

DEPARTMENT OF THE ARMY  
U.S. ARMY CONTRACTING COMMAND - ABERDEEN PROVING GROUND  
4401 BOOTHBY HILL AVENUE  
ABERDEEN PROVING GROUND, MD 21005-3013

CCAP

27 January 2014

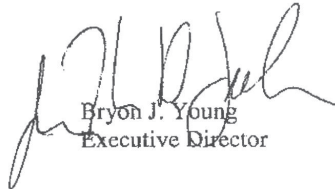
MEMORANDUM THRU [REDACTED]

FOR [REDACTED]

SUBJECT: Concerns Regarding Contract Administration of Cost-Plus-Award-Fee Contract W91RUS-10-C-0001 at Fort Huachuca, Army Contracting Command – Aberdeen Proving Ground

1. Army Contracting Command – Aberdeen Proving Ground (ACC-APG) responses to the suggested actions found within the subject memo are enclosed.
2. Point of contact is [REDACTED]

Encl

  
Bryon J. Young  
Executive Director

## Quick Reaction Memorandum and Management Comments (cont'd)



REPLY TO  
ATTENTION OF

### DEPARTMENT OF THE ARMY

U.S. ARMY CONTRACTING COMMAND  
ABERDEEN PROVING GROUND  
2133 CUSHING STREET, GREELY HALL, BUILDING 61801  
FORT HUACHUCA, ARIZONA 85613

CCAP-CCH

27 January 2014

SUBJECT: Response to Suggested Actions for Concerns Regarding Contract Administration of Cost-Plus-Award-Fee Contract W91RUS-10-C-0001 at Fort Huachuca, Army Contracting Command- Aberdeen Proving Ground

Below are the actions to be taken by contracting officials regarding the three areas of concern noted in the Inspector General's memorandum dated January 16, 2014.

**1. Formalize a process within the contract to track contract modifications back to specific WAOs.**

The Electronic Proving Ground (EPG) support service contract is incrementally funded with RDT&E funds.

For the future follow-on contract, services that will be firm-fixed priced (FFP) will have a separate CLIN. In the description section of the CLIN, all FFP Work Authorization Orders (WAOs) will be listed.

Cost reimbursement CLINs are not tied directly to a single or a set number of WAOs. Therefore, all WAOs issued under all cost reimbursement CLINs will be listed in Section J of the contract by number and title, either at time of contract award or when incremental funding modifications are executed.

**2. Designate the test officers and work assignment order authors as contracting officer's representatives or alternate contracting officer's representatives providing contract oversight, and document their training and certifications within the contract file.**

The contracting office has discussed this with EPG and they concur that individuals conducting tests and providing contract oversight will be appointed as Technical Monitors in accordance with the ACC-APG Contracting Officer's Representative Handbook. These individuals will complete all required certifications and training outlined in the ACC-APG Contracting Officer's Representative Handbook prior to appointment. This documentation will be maintained in the contract file.

**3. Update the award fee plan to reflect language that complies with the Army Federal Acquisition Regulation Supplement guidance on award fees.**

The Request for Proposals sets forth clearly to potential offerors that there will be no award fee for satisfactory performance by including AFARS reference 5116.405-2(b)(B) within Section L, Cost and within the award fee chart as well.

## Quick Reaction Memorandum and Management Comments (cont'd)

Concerning the CPAF CLINs on the follow-on contract; two separate CLINs for Base Fee and Award Fee will be established.

WIMMER.KATRINA.  
MARIE.1262416620

Kate Wimmer  
Contracting Officer

Digitally signed by  
WIMMER.KATRINA.MARIE.1262416620  
DN: c=US, o=U.S. Government, ou=DoD,  
ou=PKI, ou=USA,  
cn=WIMMER.KATRINA.MARIE.1262416620  
Date: 2014.01.27 08:26:57 -07'00'

## Acronyms and Abbreviations

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<b>ACC</b>	Army Contracting Command
<b>AFARS</b>	Army Federal Acquisition Regulation Supplement
<b>CLIN</b>	Contract Line Item Number
<b>COR</b>	Contracting Officer's Representative
<b>FAR</b>	Federal Acquisition Regulation
<b>QASP</b>	Quality Assurance Surveillance Plan
<b>WAO</b>	Work Assignment Order





# **Whistleblower Protection**

## **U.S. DEPARTMENT OF DEFENSE**

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